



# **OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**

**STATE OF NEW MEXICO**

**RIO ARRIBA COUNTY HOUSING AUTHORITY  
A Component Unit of Rio Arriba County  
FINANCIAL STATEMENTS  
Fiscal Year Ended June 30, 2011**

**(With Independent Auditor's Report Thereon)**

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County

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JUNE 30, 2011

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STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County

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JUNE 30, 2011

**Board of Directors**

**Chairman** – Felipe Martinez

**Vice-Chairman** – Alfredo Montoya

**Board Member** – Barney Trujillo

**Authority Management/Personnel**

**Executive Director** – Lorrie A.V. Leyba

**Administrative Assistant** – Valerie Cebada

**County Manager** – Tomas Campos



State of New Mexico  
*OFFICE OF THE STATE AUDITOR*

**Hector H. Balderas**  
State Auditor

**Carla C. Martinez**  
Deputy State Auditor

**INDEPENDENT AUDITOR'S REPORT**

Executive Director and Board of Commissioners  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
P.O. Box 310  
737 La Joya St.  
Española, NM 87532

We have audited the accompanying financial statements of the business-type activities of Rio Arriba County Housing Authority (the "Authority"), a component unit of Rio Arriba County, New Mexico (the "County"), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of Rio Arriba County Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the business-type activities that are attributable to the transactions of the Authority. They do not purport to and do not present fairly the financial position of the County as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2011, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Authority has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Office of the State Auditor

Office of the State Auditor  
Santa Fe, New Mexico  
November 9, 2011

State of New Mexico  
Rio Arriba County Housing Authority  
Proprietary Funds  
Statement of Net Assets  
For the year Ended June 30, 2011

Exhibit I

	Low Rent Public Housing Program	Section 8 Housing Choice Program	Public Housing Capital Fund Program	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 54,006	\$ 16,554	\$ -	\$ 70,560
Investments	46,674	-	-	46,674
Accounts receivable - net of allowance for doubtful accounts of \$4,617	23,835	1,935	-	25,770
Management Fee receivable	4,644	-	-	4,644
Accrued interest receivable	230	-	-	230
Due from other funds	149	-	-	149
Prepaid expenses	9,486	-	-	9,486
<b>Total Current Assets</b>	<u>139,023</u>	<u>18,489</u>	<u>-</u>	<u>157,512</u>
Noncurrent Assets:				
Restricted cash and cash equivalents	4,380	22,178	-	26,558
Capital Assets	5,543,130	-	-	5,543,130
Less Accumulated Depreciation	(3,774,355)	-	-	(3,774,355)
<b>Total Noncurrent Assets</b>	<u>1,773,155</u>	<u>22,178</u>	<u>-</u>	<u>1,795,332</u>
<b>Total Assets</b>	<u>1,912,178</u>	<u>40,666</u>	<u>-</u>	<u>1,952,844</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	3,776	-	-	3,776
Accrued payroll	2,088	-	-	2,088
Payroll Benefit Payable	2,786	-	-	2,786
Deferred revenue	-	-	-	-
Due to other funds	-	149	-	149
Compensated absences, current portion	8,267	610	-	8,877
<b>Total Current Liabilities (payable from current assets)</b>	<u>16,917</u>	<u>759</u>	<u>-</u>	<u>17,676</u>
Other current liabilities:				
Tenant deposits	4,380	-	-	4,380
<b>Total other current liabilities (payable from restricted assets)</b>	<u>4,380</u>	<u>-</u>	<u>-</u>	<u>4,380</u>
Noncurrent liabilities:				
Compensated absences, noncurrent portion	4,014	305	-	4,319
<b>Total noncurrent liabilities</b>	<u>4,014</u>	<u>305</u>	<u>-</u>	<u>4,319</u>
<b>Total liabilities</b>	<u>25,311</u>	<u>1,064</u>	<u>-</u>	<u>26,375</u>
<b>NET ASSETS</b>				
Invested in capital assets	1,768,775	-	-	1,768,775
Restricted	-	22,178	-	22,178
Unrestricted	118,092	17,425	-	135,517
<b>Total net assets</b>	<u>\$ 1,886,867</u>	<u>\$ 39,603</u>	<u>\$ -</u>	<u>\$ 1,926,469</u>

The accompanying notes are an integral part of these financial statements.

State of New Mexico  
Rio Arriba County Housing Authority  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
For the Year Ended June 30, 2011

Exhibit II

	Low Rent Public Housing Program	Section 8 Housing Choice Program	Public Housing Capital Fund Program	Total
Operating revenues:				
Charges for services	78,853	\$ 5,773	\$ -	\$ 84,626
Other tenant revenue	3,981	-	-	3,981
Total operating revenues	<u>82,834</u>	<u>5,773</u>	<u>-</u>	<u>88,607</u>
Operating expenses:				
Personnel services	65,461	12,189	7,787	85,436
Contractual services	23,915	2,927	-	26,842
Supplies	1,466	437	-	1,903
Maintenance and materials	83,390	-	8,759	92,149
Utilities	22,502	-	-	22,502
Other expenses: phone	5,167	-	-	5,167
Other expenses: insurance	15,271	-	-	15,271
Bad debt expenses	4,617	-	-	4,617
Depreciation	199,496	-	-	199,496
Housing assistance payments	-	84,300	-	84,300
Other expenses: miscellaneous	2,848	355	-	3,203
Total operating expenses	<u>424,132</u>	<u>100,207</u>	<u>16,545</u>	<u>540,884</u>
Operating income/(loss)	<u>(341,298)</u>	<u>(94,434)</u>	<u>(16,545)</u>	<u>(452,277)</u>
Non-operating revenues (expenses):				
Operating grants	101,369	94,721	16,545	212,635
Interest income	533	79	-	613
Interest expense	-	-	-	-
Miscellaneous - Management Contract	55,613	-	-	55,613
Total non-operating revenues (expenses)	<u>157,515</u>	<u>94,800</u>	<u>16,545</u>	<u>268,861</u>
Income before capital contributions, extraordinary items and transfers	<u>(183,782)</u>	<u>366</u>	<u>-</u>	<u>(183,416)</u>
Capital contributions	-	-	-	-
Transfers in	15,530	-	-	15,530
Transfers out	-	-	-	-
Change in net assets	<u>(168,252)</u>	<u>366</u>	<u>-</u>	<u>(167,886)</u>
Net assets - beginning of period	<u>2,055,119</u>	<u>39,237</u>	<u>-</u>	<u>2,094,356</u>
Net assets - ending	<u>1,886,867</u>	<u>\$ 39,603</u>	<u>\$ -</u>	<u>\$ 1,926,469</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**Rio Arriba Housing Authority**  
**A Component Unit of Rio Arriba County**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

Exhibit III  
Page 1 of 2

	Low Income Public Housing Program	Section 8 Housing Choice Vouchers Program	Public Housing Capital Fund Program	Total
<i>Cash flows from operating activities:</i>				
Cash received from tenant charges	\$ 101,275	\$ 8,098	\$ -	\$ 109,372
Cash payments to employees for services	(64,532)	(11,981)	(7,787)	\$ (84,300)
Cash payments to suppliers for goods and services	(183,838)	(88,019)	(8,759)	\$ (280,615)
<i>Net cash provided (used) by operating activities</i>	(147,096)	(91,902)	(16,545)	(255,543)
<i>Cash flows from noncapital financing activities:</i>				
Operating grants	101,369	94,721	16,545	\$ 212,635
Miscellaneous income (expense)	55,613	-	-	\$ 55,613
Change in Deferred Revenue	-	-	-	\$ -
Change in noncurrent accrued compensated absences	1,849	-	-	\$ 1,849
Interfund loans and transfers	(7,072)	(6,936)	-	(14,008)
<i>Net cash provided (used) by from noncapital financing activities:</i>	151,759	87,785	16,545	256,089
<i>Cash flows from capital and related financing activities:</i>				
Special Item-Loss on Disposal of Capital Assets	-	-	-	\$ -
Capital grants	-	-	-	\$ -
Purchase of capital assets	0	-	-	0
<i>Net cash (used) by capital and related financing</i>	0	-	-	0
<i>Cash flows from investing activities:</i>				
Interest on investments	533	79	-	\$ 613
<i>Net cash provided (used) by investing activities</i>	533	79	-	613
<i>Net increase in cash and cash equivalents</i>	5,197	(4,037)	-	1,159
<i>Cash and cash equivalents - beginning of year</i>	99,486	42,769	-	\$ 142,255
<i>Cash and cash equivalents - end of year</i>	\$ 104,683.50	\$ 38,731	\$ -	\$ 143,414

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**  
 Rio Arriba Housing Authority  
 A Component Unit of Rio Arriba County  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended June 30, 2011

Exhibit III  
 Page 2 of 2

	<u>Low Income Public Housing Program</u>	<u>Section 8 Housing Choice Vouchers Program</u>	<u>Public Housing Capital Fund Program</u>	<u>Total</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ (341,298)	\$ (94,434)	\$ (16,545)	\$ (452,277)
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>				
Depreciation	199,496	-	-	\$ 199,496
Transfer in from primary government	15,530			\$ 15,530
<i>Changes in assets and liabilities:</i>				
Receivables	3,989	2,325	-	\$ 6,314
Inventory	-			\$ -
Prepaid expenses	(621)	-	-	\$ (621)
Accounts payable	(25,121)	-	-	\$ (25,121)
Accrued payroll expenses	(1,699)	-	-	\$ (1,699)
Current accrued compensated absences	2,627	207	-	\$ 2,835
Customer deposits	-	-	-	\$ -
Deferred revenue	-	-	-	-
<i>Net cash (used) by operating activities</i>	<u>\$ (147,097)</u>	<u>\$ (91,902)</u>	<u>\$ (16,545)</u>	<u>\$ (255,544)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2011

**Note 1. Summary of Significant Accounting Policies**

The Housing Authority of Rio Arriba County (Authority) was established in 1978. The Housing Authority's office is located in Espanola, New Mexico. However, the housing units are located in Tierra Amarilla and Ojo Caliente, New Mexico. The governing body of the Authority consists of the three members of the Rio Arriba County board of commissioners. The Authority manages two low rent public housing developments containing 53 total units and administers Housing and Urban Development's (HUD) Housing Choice Voucher Section 8 housing assistance program. Also, the Authority manages 50 unit apartments for the Truth or Consequences Housing Authority.

The primary goal of the Low Income Public Housing Program is the provision of a decent home in a suitable living environment for families that cannot afford standard private housing. Under this program, decent, safe and sanitary housing is made available to families having low income.

This summary of significant accounting policies of Authority is presented to assist in the understanding of Authority's financial statements. The financial statements and notes are the representation of Authority's management, who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standard Board. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements and enterprise funds, subject to this same limitation. The Authority elected not to follow subsequent private-sector guidance.

The Authority administers the following federal award programs reported in the following major proprietary funds. The HUD enabling legislation by which HUD authorizes the housing authority to expend funds in the three different programs is Federal Regulation CFR Title 24.

- Low Rent Public Housing Program - Funded through direct grants from HUD, the program is designed to provide adequate living accommodations to qualified families through reduced rate rentals built and owned by the Authority.
- Section 8 Housing Choice Vouchers Program - These programs, funded through direct grants from HUD, provide rental assistance to qualified recipients through rent subsidies paid directly to third-party property owners.
- Capital Fund Program – These programs, funded through direct grants from HUD, account for acquisition of capital assets or construction of capital projects.

The more significant accounting policies and procedures of the Authority are more fully described below.

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2011

A. Financial Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential programs and operations of the Authority. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB-14 as amended by GASB 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing Authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion is the scope of public service. Application of this criterion involves considering whether the activity benefits Authority and/or its residents and participants, or whether the activity is conducted within the geographic boundaries of Authority and is generally available to its residents and participants. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units; however, the Authority is a blended component unit of Rio Arriba County.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority's basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as set forth or adopted by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), and their predecessors, the National Council on Governmental Accounting ("NCGA") and the Accounting Principles Board ("APB"), respectively. Generally accepted accounting principles for local governments include those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The Authority's proprietary (enterprise) funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets and all liabilities associated with the operations are included on the balance sheet. Fund net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components.

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2011

All receivables, including tenant receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

3. Restricted Cash and Cash Equivalents

Certain resources set aside in escrow for security deposits \$4,380 held as insurance against the non-payment for services rendered, are classified on the statement of net assets as restricted because their use is limited. In addition, resources are also set aside for housing assistance payments (HAP) \$22,178 as the use of those funds is limited.

4. Prepaid Items

Certain payments to vendors for items that include insurance reflect costs applicable to future accounting periods and are recorded as prepaid items in the Authority's financial statements.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Authority as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The Authority continues to use its policy of \$5,000 capitalization. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical costs of infrastructure assets, (retroactive to 1979) are to be included in the financial statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. There was no interest related to the cost of construction that required capitalization.

Property, plant, and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

- |                                     |             |
|-------------------------------------|-------------|
| • Land improvements                 | 5-20 years  |
| • Building and Building Improvement | 10-40 years |
| • Furniture, fixtures and equipment | 3-15 years  |

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2011

6. Accrued Expenses

Accrued expenses are comprised of accrued salaries, wages, related employment taxes and current and noncurrent maturities of compensated absences, discussed more fully below.

7. Compensated Absences

Accrued compensated absences of the Proprietary funds are recorded on their Statement of Fund Net Assets. In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability has been recognized for all employees who have unused annual leave that will be paid upon termination.

8. Net Assets

The difference between a government's assets and its liabilities is its net assets. Net assets are classified in the following three components: invested in capital assets; restricted; and unrestricted net assets. Net assets invested in capital assets, consists of all capital assets, net of accumulated depreciation. Restricted net assets consists of net assets for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates. Unrestricted net assets consist of all other net assets not included in the above categories.

9. Unrestricted and Restricted Revenues

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the Authority's financial statements are the estimated useful lives of capital assets and the allowance for accounts receivable.

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2011

11. Interfund Transactions

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

**Note 2. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The Authority's Commission is required to obtain approval from HUD for any revisions to the budgets that alter the total expenditures, at the legal level of budgetary control, which is at the grant program level. HUD program budgets are prepared on a regulatory basis which is comparable to the GAAP basis except for the omission of depreciation. Budgetary data for the Authority's programs are prepared on a calendar year basis. HUD does not require the presentation of the budgets in the audit report. The inclusion of the budget in the audit report would be misleading as the audit report is as of June 30, 2011 and the HUD budget period is not complete as of that date.

**Note 3. Deposits and Investments**

Pursuant to Section 6-10-36 NMSA 1978, deposits of funds may be made in: (1) non interest bearing checking accounts within the geographical boundaries of the County, to the extent the deposits are insured by an agency of the United States of America, or (2) in interest bearing deposits in one or more banks or savings, loan associations, or credit unions within the geographical boundaries of the County, that have qualified as public depositories by reason of insurance of the account by an agency of the United States or by depositing collateral security or by giving bond as provided by law.

Section 6-10-17 of NMSA 1978, requires that 50% of the balance all deposits not insured by the FDIC, in banks or savings and loan associations must be collateralized by securities specified in Section 16-10-16 NMSA 1978. According to the statute, securities that are obligations of the state of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions shall be accepted as security at par value. All other securities shall be accepted as security at market value.

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2011

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, money market deposit accounts and interest bearing NOW accounts of a public unit in the same state will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for public unit demand deposits at the same institution until December 31, 2013.

As of June 30, 2011, the authority held checking account deposits of \$92,731 and cash equivalent consisting of certificate of deposit with original maturity of three months or less from the date of acquisition of \$11,503 at a different financial institution, totaling \$104,234, all covered by FDIC insurance. Reconciling items consisting of \$7,116 net of outstanding checks and deposits in transit resulted in \$97,118 of cash and cash equivalents per the accounting records and related financial statements.

At a different financial institution from the checking accounts, the Authority held investment consisting of certificates of deposit with more than three months maturity totaling \$46,674 as of June 30, 2011. All the investments were covered by FDIC insurance at the end of the fiscal year.

List of Individual Deposit Accounts and Investment Accounts

Account Name	Type of Deposit	Bank Balance 6/30/11	Account as of	Reconciled Balance as reported in the Financial Statements
Low Rent	Checking	\$48,301		\$42,503
Security Deposit	Checking	\$ 4,584		\$ 4,380
Section 8 Housing	Checking	\$39,846		\$38,732
Certificate of Deposit	CD – less than three months maturity	\$39,846		\$38,732
<b>Total Cash and Cash Equivalents</b>		<b>\$104,234</b>		<b>\$97,118</b>
90 Day Certificate of Deposit	CD	\$11,256		\$11,256
1 Year Certificate of Deposit	CD	\$35,418		\$35,418
<b>Total Certificates of Deposit</b>		<b>\$46,674</b>		<b>\$46,674</b>

STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2011

A. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Housing's policy for custodial credit risk is to follow state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 2011, all of the Housing's bank deposits totaling \$150,908 were fully insured by the Federal Deposit Insurance Corporation (FDIC) and were not subject to custodial credit risk.

B. Reconciliation to the Statement of Net Assets

The carrying amount of deposits and investments shown above are included in the Authority's statement of fund net assets as follows:

Reconciliation to Statement of Net Assets	
Cash and cash equivalents per Exhibit 1	\$ 70,560
Investments per Exhibit 1	46,674
Restricted cash and cash equivalents per Exhibit 1	<u>26,558</u>
	143,792
Add outstanding checks and other reconciling items	<u>7,116</u>
Bank balance of deposits	<u><u>\$ 150,908</u></u>



STATE OF NEW MEXICO  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
Notes to Financial Statements  
June 30, 2011

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

Description	Balance 06/30/10	Additions	Deletions	Balance 06/30/11
<b>Business Type-Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 109,735	\$ -	\$ -	\$ 109,735
Total capital assets not being depreciated	109,735	-	-	109,735
<b>Capital assets being depreciated:</b>				
Buildings	4,072,542	-	-	4,072,542
Buildings and improvements	1,233,571	-	-	1,233,571
Machinery and equipment	132,887	-	(5,606)	127,281
Totals capital assets being depreciated	5,439,000	-	(5,606)	5,433,394
<b>Less: Accumulated depreciation:</b>				
Buildings	2,748,602	135,207	-	2,883,809
Buildings and improvements	725,058	53,614	-	778,672
Machinery and equipment	106,804	10,675	(5,606)	111,873
Total accumulated depreciation	3,580,464	199,496	(5,606)	3,774,354
Total capital assets, net of depreciation	\$ 1,968,271	\$ (199,496)	\$ -	\$ 1,768,775

**Note 5. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

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**Note 6. Risk Management**

Rio Arriba County Housing Authority is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets: errors and omissions: injuries to employees: and natural disasters. Authority has joined together with other housing authorities throughout the Country and obtained insurance through the Housing Authority Insurance Group, a housing authority risk pool currently operating as a common risk management and insurance program for member units. The Authority pays an annual premium to the Housing Authority Insurance Group for its general insurance coverage and all risk of loss is transferred to the risk pool.

**Note 7. PERA Pension Plan**

Plan Description: All employees of the Authority who do not meet the criteria for exclusion participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

Funding Policy: The Authority's plan members are covered under the Municipal Plan II. Under Plan II, members are required to contribute 9.15% of their gross salary. The Authority is required to contribute 9.15% for all plan members. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ended June 30, 2011, 2010 and 2009 were \$9,809, \$9,809, and \$10,633, respectively, equal to the amount of the required contributions for the year.

**Note 8. Post-Employment Benefits – Retiree Health Care Plan**

The Authority has not elected to participate in New Mexico Public Employee Health Care Act plan and there are no required contributions for fiscal year ending June 30, 2011.

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**Note 9. Concentrations**

Substantially all revenues of the Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Authority's continued compliance with grant provisions and the continuance of the grant programs by the U.S. Governmental agency.

**Note 10. Transfers**

The County paid an insurance settlement expense on behalf of the Authority in the amount of \$15,530. This is recognized as a transfer-out by the County in the amount of \$15,530 and a transfer-in by the Authority of \$15,530. The nature of the activity is nonreciprocal.

**Note 11. Compensated Absences**

The following summarizes changes in compensated absences during the fiscal year ended June 30, 2011:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 10,361	\$ 4,075	\$ 1,240	\$ 13,196	\$ 8,877
Total	<u>\$ 10,361</u>	<u>\$ 4,075</u>	<u>\$ 1,240</u>	<u>\$ 13,196</u>	<u>\$ 8,877</u>

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	Low Rent Public Housing Program	Section 8 Housing Choice Program	Public Housing Capital Fund Program	Total
<b>ASSETS</b>				
111 Cash-unrestricted	\$ 54,006	16,554	\$ -	70,560
112 Cash-unrestricted-restoration, modernization and development	\$ -	-	-	-
113 Cash-other restricted	\$ -	22,178	-	22,178
114 Cash-tenant security deposits	\$ 4,380	-	-	4,380
115 Cash-Restricted for payment of current liability	\$ -	-	-	-
100 Total Cash	<u>\$ 58,386</u>	<u>38,731</u>	<u>-</u>	<u>97,118</u>
121 Accounts receivable - PHA projects	\$ -	1,935	-	1,935
122 Accounts receivable - HUD other projects	\$ -	-	-	-
124 Account receivable - other government	\$ 4,644	-	-	4,644
125 Account receivable - miscellaneous	\$ -	-	-	-
126 Accounts receivable - tenants	\$ 28,452	-	-	28,452
126 Allowance for doubtful accounts - tenants	\$ (4,617)	-	-	(4,617)
126 Allowance for doubtful accounts - other	\$ -	-	-	-
128 Fraud recovery	\$ -	-	-	-
128 Allowance for doubtful accounts - fraud	\$ -	-	-	-
129 Accrued interest receivable	\$ 230	-	-	230
120 Total receivables, net of allowance for doubtful accounts	<u>\$ 28,708</u>	<u>1,935</u>	<u>-</u>	<u>30,643</u>
131 Investments - unrestricted	\$ 46,674	-	-	46,674
132 Investments - restricted	\$ -	-	-	-
135 Investments - Restricted for payment of current liability	\$ -	-	-	-
142 Prepaid expenses and other assets	\$ 9,486	-	-	9,486
143 Inventories	\$ -	-	-	-
143 Allowance for obsolete inventories	\$ -	-	-	-
144 Inter program - due from	\$ 149	-	-	149
145 Assets held for sale	\$ -	-	-	-
150 Total Current Assets	<u>\$ 143,403</u>	<u>40,666</u>	<u>-</u>	<u>184,070</u>
161 Land	\$ 109,735	-	-	109,735
162 Buildings	\$ 4,072,542	-	-	4,072,542
163 Furniture, equipment and machinery - dwellings	\$ 45,980	-	-	45,980
164 Furniture, equipment and machinery - administration	\$ 81,301	-	-	81,301
165 Leasehold improvements	\$ 1,233,571	-	-	1,233,571
166 Accumulated depreciation	\$ (3,774,355)	-	-	(3,774,355)
167 Construction in progress	\$ -	-	-	-
168 Infrastructure	\$ -	-	-	-
160 Total capital assets, net of accumulated depreciation	<u>\$ 1,768,775</u>	<u>-</u>	<u>-</u>	<u>1,768,775</u>
180 Total Non-current Assets	<u>\$ 1,768,775</u>	<u>-</u>	<u>-</u>	<u>1,768,775</u>
190 Total Assets	<u>\$ 1,912,178</u>	<u>40,666</u>	<u>\$ -</u>	<u>\$ 1,952,844</u>

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	Low Rent Public Housing Program	Section 8 Housing Choice Program	Public Housing Capital Fund Program	Total
<b>LIABILITIES AND EQUITY/NET ASSETS</b>				
312	\$ 3,776	-	-	3,776
313	-	-	-	-
321	\$ 4,874	-	-	4,874
322	\$ 8,267	610	-	8,877
324	-	-	-	-
325	-	-	-	-
331	-	-	-	-
332	-	-	-	-
333	-	-	-	-
341	\$ 4,380	-	-	4,380
342	-	-	-	-
343	-	-	-	-
344	-	-	-	-
345	-	-	-	-
346	-	-	-	-
347	-	149	-	149
348	-	-	-	-
310	<u>\$ 21,297</u>	<u>759</u>	<u>-</u>	<u>22,056</u>
351	-	-	-	-
352	-	-	-	-
353	-	-	-	-
354	\$ 4,014	305	-	4,319
350	<u>\$ 4,014</u>	<u>305</u>	<u>-</u>	<u>4,319</u>
300	<u>\$ 25,311</u>	<u>1,064</u>	<u>-</u>	<u>26,375</u>
508	\$ 1,768,775	-	-	1,768,775
511	-	22,178	-	22,178
512	\$ 118,092	17,425	-	135,517
513	<u>\$ 1,886,867</u>	<u>39,603</u>	<u>-</u>	<u>1,926,469</u>
600	<u>\$ 1,912,178</u>	<u>40,666</u>	<u>\$ -</u>	<u>1,952,844</u>

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	Low Rent Public Housing Program	Section 8 Housing Choice Program	Public Housing Capital Fund Program	Total	
<b>REVENUE</b>					
703	Net tenant rental revenue	\$ 78,852.65	5,772.87	\$ -	84,626
704	Tenant revenue - other	\$ 3,981.14	-	-	3,981
705	Total Tenant Revenue	<u>\$ 82,833.79</u>	<u>5,772.87</u>	<u>-</u>	<u>88,607</u>
706	HUD PHA operating grants	\$ 101,369.00	94,721.00	-	196,090
706.1	Capital grants	\$ -	-	16,545	16,545
711	Investment income - unrestricted	\$ 533.43	32.17	-	566
715	Other revenue	\$ 55,613.06	-	-	55,613
716	Gain or loss on sale of capital assets	\$ -	-	-	-
720	Investment income - restricted	\$ -	47.15	-	47
700	Total Revenue	<u>\$ 240,349.28</u>	<u>100,573.19</u>	<u>16,545</u>	<u>357,467</u>
<b>EXPENSES</b>					
911	Administration salaries	\$ 50,905.32	9,730.77	6,631	67,267
913.1	Management Fee	\$ 19,375.11	1,811.95	-	21,187
915	Employee benefit contributions - administrative	\$ 11,286.37	2,457.81	1,156	14,900
916	Office Expense	\$ 14,097.78	1,551.85	-	15,650
917	Legal Expense	\$ (77.00)	-	-	(77)
918	Travel	\$ 641.50	-	-	642
919	Other	\$ -	354.89	-	355
931	Water	\$ 10,155.00	-	-	10,155
932	Electricity	\$ 4,768.63	-	-	4,769
933	Gas	\$ 885.09	-	-	885
938	Other utilities expense	\$ 6,692.85	-	-	6,693
941	Ordinary maintenance and operations - labor	\$ 60,444.44	-	-	60,444
942	Ordinary maintenance and operations - materials and other	\$ 4,647.69	-	7,559	12,206
943	Ordinary maintenance and operations contracts	\$ 4,982.21	-	1,200	6,182
945	Employee benefit contribution - ordinary maintenance	\$ 13,315.76	-	-	13,316
961	Insurance premiums	\$ 15,270.52	-	-	15,271
962	Compensated Absences	\$ 2,627.49	-	-	2,627
964	Bad debt - tenant rents	\$ 4,616.92	-	-	4,617
969	Total Operating Expenses	<u>\$ 224,635.68</u>	<u>15,907.27</u>	<u>16,545</u>	<u>257,088</u>
970	Excess Revenue Over Operating Expenses	\$ 15,713.60	84,665.92	(0)	100,379
973	Housing assistance payments	-	84,300.00	-	84,300
974	Depreciation expense	\$ 199,495.97	-	-	199,496
900	Total Expenses	<u>\$ 424,131.65</u>	<u>100,207.27</u>	<u>16,545</u>	<u>540,884</u>
1001	Operating transfer in	\$ -	-	-	-
1002	Operating transfer out	-	-	-	-
1003	Operating Transfer from/to Primary Government	\$ 15,530.03	-	-	-
1007	Extraordinary items - Proceeds of insurance reimbursements	\$ -	-	-	-
1007	Extraordinary items - Restoration or property damaged by fire	\$ -	-	-	-
1010	Total transfers and extraordinary items	<u>\$ 15,530.03</u>	<u>-</u>	<u>-</u>	<u>15,530</u>
1000	Excess (Deficiency) of Revenue Over (Under) Expense:	\$ (168,252.34)	365.92	(0)	(167,887)
11020	Required Annual Debt Principal Payments	\$ -	-	-	-
11030	Beginning equity as reported	\$ 2,055,118.85	39,236.76	-	2,094,356
	Unrestricted Equity	\$ 1,886,866.51	-	-	1,886,867
11170	Administrative Fee Equity	-	17,425.07	-	17,425
11180	Housing Assistance Payments Equity	-	22,177.61	-	22,178
	Ending equity	<u>\$ 1,886,866.51</u>	<u>39,236.76</u>	<u>\$ -</u>	<u>\$ 1,926,469</u>



State of New Mexico  
**OFFICE OF THE STATE AUDITOR**

**Hector H. Balderas**  
State Auditor

**Carla C. Martinez**  
Deputy State Auditor

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

Executive Director and Board of Commissioners  
Rio Arriba County Housing Authority  
A Component Unit of Rio Arriba County  
P.O. Box 310  
737 La Joya St.  
Española, NM 87532

We have audited the financial statements of the business-type activities of Rio Arriba County Housing Authority (the "Authority"), a component unit of Rio Arriba County, New Mexico (the "County"), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain compliance matters that are required to be reported pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings FS HA10-02 and FS HA 11-01.

This report is intended solely for the information and use of management, the County Administration, others within the entity, the United States Department of Housing and Urban Development, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Office of the State Auditor

Office of the State Auditor  
Santa Fe, New Mexico  
November 9, 2011



STATE OF NEW MEXICO  
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**Status of Prior Year Audit Findings**

FS HA 07-05 – Segregation of duties in cash management-control (resolved)

FS HA 10-01 – Material Misstatement Not Identified by Housing Authority’s Internal Controls (resolved)

FS HA 10-02 – Noncompliance with Federal Per Diem Rates (modified and repeated)

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**Current Year Audit Findings**

**FS HA 10-02 – Noncompliance with Federal Per Diem Rates (Housing Authority)**

**Condition**

During compliance testwork, we noted two instances out of two (only two per-diem payments made during the year) that exceed the allowed federal rate. Two employees were paid \$320.75 each for an out of town conference, for a total of \$641.50. This payment was miscalculated based on Federal amounts. The Federal per diem regulations allow for a maximum of \$302 for that specific trip for each employee, for a total of \$604. The total overpayment was \$37.50.

**Criteria**

41 Code of Federal Regulations, Chapters 300 through 304 prescribe the allowed per diem and meals and incidental expenses amounts. United States General Services Administration (USGSA) provides the rate allowances by location.

**Cause**

The Housing Authority was properly using the federal per diem rates, but unintentionally miscalculated the last day of travel by applying the 75% requirement to the per diem rate instead of the meals and incidental expenses rate.

**Effect**

Although the noncompliance was immaterial, future material federal noncompliance could jeopardize future federal funding.

**Auditor's Recommendation**

As the Housing Authority uses federal funding for travel and related per diem payments, the federal per diem regulations should be adhered to. The Housing Authority should continue to access the USGSA website prior to travel to obtain the most current per diem allowances by location and ensure per diem is properly calculated according to the trip taken.

**Management response**

While using the federal per diem rates, the last day of travel was inadvertently miscalculated and included the per diem rate instead of the meals and incidental expenses rate. Therefore; the

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Housing Authority will review the USGSA website prior to future travel and will obtain the most current per diem allowances as required. The Housing Authority employees will re-pay \$18.75 each for a total of \$37.50 in reimbursement for over payment.

**FS HA 11-01 – Noncompliance Annual Inventory Requirements (Housing Authority)**

**Condition**

During capital asset testwork, we noted the required annual inventory had not been performed for FY 11 by the Housing Authority.

**Criteria**

According to 2.20.1.16 NMAC, at the end of the fiscal year, each agency shall conduct a physical inventory of its fixed assets under the control of the governing authority. The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.

**Cause**

The Housing Authority overlooked performing the required inventory.

**Effect**

Noncompliance with state law and failure to identify assets no longer in existence that required removal from capital assets and accumulated depreciation.

**Auditor's Recommendation**

The Housing Authority should have a mechanism in place that alerts them to when and how the annual inventory should be performed in accordance with 2.20.1.16 NMAC.

**Management response**

A yearly reminder will be implemented on office calendar for Disposition of property by fiscal year end, insuring all fixed assets being recorded and properly documented. A written report will be presented to the Board of Directors yearly for review and approval.

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Financial Statement Preparation

The accompanying financial statements and footnotes for inclusion in the annual audit report were prepared by the Rio Arriba County Housing Authority. The contents of which are the responsibility of Rio Arriba County Housing Authority.

Exit Conference

The contents of this report were discussed on November 9, 2011. The following individuals were in attendance on behalf of the Housing Authority:

Rio Arriba County Housing Authority

Barney Trujillo, Board Member  
Tomas Campos, County Manager  
Lorrie Leyba, Executive Director

Office of the State Auditor

Carla Martinez, CPA, Deputy State Auditor  
Sanjay Bhakta, CPA, CGFM, Audit Manager  
Natalie Cordova, Audit Supervisor